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[FR Doc. 98-8478 Filed 3-31-98; 8:45 am]

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-39808; File No. SR-NYSE-98-09]

### Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the New York Stock Exchange, Inc. Relating to the Trading of Bonds

March 26, 1998.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Exchange Act" or "Act"),<sup>1</sup> notice is hereby given that on March 13, 1998, the New York Stock Exchange, Inc. ("NYSE" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

#### I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The NYSE is proposing an interpretation of Rule 85 ("Cabinet Dealings"). Specifically, pursuant to paragraph (b) of that rule, the Exchange is proposing to make convertible bonds eligible for trading in its Automated Bond System ("ABS"). Following such eligibility, all listed bonds will trade in ABS and the NYSE will close its bond trading Floor effective June 1, 1998.

#### II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the self-regulatory organization included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The self-regulatory organization has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

#### A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

##### 1. Purpose

Exchange Rule 85(b) provides that the NYSE can designate "those bonds to be dealt in by use of cabinets. \* \* \*" ABS, an automated trading system, is the "cabinet" trading system for bonds. Historically, only bonds that cannot convert into common stock have traded in ABS. Bonds convertible into common stock have not been designated as eligible for ABS; rather, they have traded on the bond Floor. Over time, trading activity has declined on the bond Floor, and it no longer is efficient to provide for the trading of convertible bonds on the Floor. Thus, to provide for more economic and efficient trading of bonds, this proposed rule change would make convertible bonds eligible for trading in ABS under Rule 85, allowing the Exchange to close the bond Floor. In addition, this will result in the availability of expanded quotation information in listed bonds. The Exchange has sufficient capacity in ABS to include these bonds in the system.

##### 2. Statutory Basis

The Exchange represents that the proposed rule change is consistent with Section 6(b) of the Act,<sup>2</sup> in general, and furthers the objectives of Section 6(b)(5)<sup>3</sup> in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest.

#### B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any inappropriate burden on competition.

#### C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

The Exchange has neither solicited nor received written comments on the proposed rule change.

#### III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing rule change constitutes a stated policy, practice, or interpretation with respect to the meaning, administration, or enforcement of an existing rule and, therefore, has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>4</sup> and subparagraph (e) of Rule 19b-4 thereunder.<sup>5</sup> At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

#### IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying at the Commission's Public Reference Room, located at the above address. Copies of such filing also will be available for inspection and copying at the principal office of the NYSE. All submissions should refer to File No. SR-NYSE-98-09 and should be submitted by April 23, 1998.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>6</sup>

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Deputy Secretary.

[FR Doc. 98-8534 Filed 3-31-98; 8:45 am]

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 15 U.S.C. 78f(b).

<sup>3</sup> 15 U.S.C. 78f(b)(5).

<sup>4</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>5</sup> 17 CFR 240.19b-4.

<sup>6</sup> 17 CFR 200.30-3(a)(12).